



CHARTER SCHOOLS IN ALABAMA

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CHALLENGES & SOLUTIONS



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Charter Schools in Alabama: Challenges and Solutions

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Foreword by
The Honorable Bobby Jindal
Governor of Louisiana

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Foreword

I welcome the contribution that the Alabama Policy Institute has made to the charter schools debate over the years. Charters represent one key way to make schools more accountable to parents and their students—improving educational opportunities for young Americans.

In Louisiana, charters have formed one important element of our school reform agenda. Following Hurricane Katrina, the state took control of most New Orleans schools, turning most of them into charters. In 2015, the National Association for Public Charter Schools ranked Louisiana's charter school law the 2nd best in the country. Coupled with a student scholarship program established in 2008 and expanded statewide in 2012, these efforts have given school leaders more flexibility and parents around the state greater choice and accountability over the schools they choose for their children. In September 2014, Louisiana's Recovery School District (RSD) became the first school district with 100 percent charter school enrollment.

The results speak for themselves:

- A 2013 Stanford University report found that forty-six percent of Louisiana charters outperform their traditional public school peers in math and 41 percent outperform their peers in reading. This improved performance equates to two months of extra learning in reading and three months of extra learning in math.
- In 2014, 91.9 percent of parents said they are satisfied with the Louisiana Scholarship Program; 91.6 percent of parents said they are happy with their child's academic progress; 98.7 percent reported that their child feels safe in school; and 97.6 percent said they and their children feel welcome.
- In 2005, 62.8 percent of New Orleans students attended a failing school. Now only 4 percent of New Orleans students attend a failing school.
- Between 2008 and 2013, the percentage of students in the Scholarship Program who are proficient in third grade English language arts has grown by 20 percentage points and in math by 28 percentage points. In 2013-14, the scholarship program served 86.7% minority students.

We doubled the number of charter schools by eliminating the cap on the number of charter schools allowed to operate, continuously improved the charter application process, and authorized new types of charters. By fall 2015, Louisiana will have 182 charter schools serving approximately 82,000 students in 20 parishes. Prior to this administration, there were only 73 charter schools.

The Louisiana experience demonstrates how school choice can work across the country—if only the status quo forces that dominate education policy would allow for greater choice and accountability. Eight states still lack charter school laws, and 21 states still arbitrarily cap the number of charter schools that can operate in their respective states. These caps exist not based on empirical data, but because the reigning education establishment hates and fears competition. While charter schools vary in quality, just like traditional schools,

oversight agencies close charters when they perform poorly—a consequence rarely experienced by traditional public schools.

All children, not just children born into wealth and privilege, should enjoy the benefits of a quality education. That our country does not provide it to millions stands as an injustice that policymakers should take every opportunity to remedy. Allowing entities to form charter schools would give families a greater voice over their children's education, empowering parents rather than dictating to them.

Despite the overwhelming logic behind both the principles and data surrounding school choice, the forces longing to preserve our failing education bureaucracy remain strong. This paper from Alabama Policy Institute has made a powerful statement in support of reform over the status quo. I wholeheartedly endorse it and believe it will affect the debate in a positive direction—in Alabama and nationwide.

—Governor Bobby Jindal

Introduction

Since 1992, the Alabama Policy Institute has promoted the principle of improving school choice through the legalization of public charter schools in Alabama (hereinafter, charter schools). Over the past 23 years, API has produced three major reports, numerous op-eds, media appearances explaining how some of Alabama's most underserved K-12 students would benefit from having the option to attend a charter school instead of a traditional public school. Throughout much of that time, reform-minded legislators had little chance of seeing a charter schools bill adopted due to the state's political environment. Thus, Alabama remains one of only eight states without a charter schools law.

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Given our state's commitment to personal autonomy and small government, the absence of charter schools is a missed opportunity to improve academic outcomes by increasing choice in public education. Acknowledging the challenges of establishing charter schools, this paper offers solutions to the most common concerns about allowing these schools in Alabama. Specifically, this report addresses the nature and purpose of charter schools; and the basic issues of school funding, facilities choices, student selection, and transportation that must be addressed in order for charter schools to succeed.

What are Charter Schools?

Forty-two states and the District of Columbia have passed charter school legislation since the first charter schools were established in Minnesota in 1991.¹ Since the 1999-2000 school year, the number of charter schools in the United States has increased from 1,542 to an estimated 6,440,² educating more than 2.5 million students,³ or about 5.3% of the national student population.⁴

Charter schools are a fast-growing sector of public education, with an average of 350 new schools opening every year since 1999. Even with a high growth trend, the number of charter schools cannot keep up with the demand. About one million students are on waiting lists to get into charter schools.⁵ Every southern state except Alabama and Kentucky has charter schools.

Charter schools are public schools that are publicly funded and tuition-free. They are authorized through a legislative contract (a “charter”) with a sponsor—usually a local school district or state governmental body. These schools differ from traditional public schools because the charter exempts them from certain state or local rules and regulations.⁶ Charter schools have greater autonomy over daily operations, academic

programs, and human resources than do traditional district schools. For example, charter schools can select their own philosophy, pedagogy, curricula, textbooks, and supporting materials. They have considerable freedom over how they hire, train, evaluate, compensate, and retain employees. Charter schools also oversee their own budgets, including capital construction and maintenance costs.

Charter schools are also free to choose their own management structure. At present, about 67% of all charter schools nationwide are independently managed, nonprofit organizations that oversee one school, and another 20% are nonprofit organizations that manage more than one school. Only 12% of charter schools are run by for-profit, public charter school operators.⁷ As with other businesses that have contracts with the government, for-profit charter schools must comply with financial oversight regulations, and they receive no more funding from the government than any other public school.

“When a legislature authorizes charter schools, it enables parents to choose schools that best meet their children’s needs. Every charter school is different. Their academic philosophies run the entire spectrum from traditional direct instruction schools to progressive “hands-on” type schools, from college preparatory academies to vocational schools.”

In return for greater flexibility and autonomy, charter schools are evaluated by their authorizers every year to ensure they are meeting the standards stated in their charter. Authorizers have the opportunity to scrutinize the charter school’s academic performance, operational management and finances. And, like other public schools, charter schools must adhere to state and federal laws regarding civil rights, students with disabilities, testing, reporting and other state accountability measures, and building and safety codes. If it fails to meet the terms of its charter, a school can be shut down. Likewise, each school’s charter is reviewed for renewal or cancellation every three, five, or 10 years.

Market forces also determine whether a charter school remains in operation, as they must be able to attract parents and students with an appealing education alternative. If a school fails to create high academic expectations and a nurturing, safe environment, it risks not being able to attract a sufficient number of students to remain viable.

When a legislature authorizes charter schools, it enables parents to choose schools that best meet their children’s needs. Every charter school is different. Their academic philosophies run the entire spectrum from traditional direct instruction schools to progressive “hands-on” type schools, from college preparatory academies to vocational schools. Some charter schools serve only elementary, middle school, or high school students while others have K-8 students or even K-12 students under one roof. Some charter schools offer preschool programs, afterschool programs, or postsecondary options. Charter schools may serve a general population of students or may tailor their programs to students with specific needs such as those who are high school dropouts, youthful offenders, or gifted students.

Although there are more students in urban areas enrolled in charter schools (56%), the number of students in rural areas is slowly increasing, with 15% of charter school students living in rural areas.⁸ Nationwide, charter schools serve a higher percentage of minority students (63%) than traditional public schools (47%)⁹ and a slightly higher percentage of students who qualify for the federal Free and Reduced Price Lunch Program (51% versus 48%).¹⁰

One of the most important aspects of charter schools is that they are schools of choice. Many families are drawn to charter schools because of their unique program of study. In the same way, charter schools give teachers a range of choices and enable them to choose a school that matches their skills and preferred teaching methods. Authorizing legislation has enabled entrepreneurial education leaders and educators to innovate and create unique learning environments that offer, for example, an emphasis on the arts, technology, online programs, vocational internships, or immersion in foreign languages. Some schools like the BASIS Charter School in Tucson, AZ (all students take Advanced Placement courses), Knowledge Is Power Program (KIPP) schools (a college preparatory program for low-income students), and High Tech High in California (project-based learning) have gained national attention. In fact, 24 charter schools were on the 2014 *U.S. News & World Report's* list of America's 100 best high schools,¹¹ even though they represent only six percent of all schools.¹²

Challenge: Effects on District Funding

One of the primary talking points against the establishment of charter schools in Alabama is that they would take funds from existing public schools.¹³ Consequently, so the argument goes, already-underfunded schools would have to make do with even less, further damaging the academic outcomes of their students.

There are at least two reasons this claim is incorrect. First, because charter schools are public schools, any money that would follow a student from a traditional school to a charter school would remain in the local education system. The same transfer of funds already routinely happens when students move to from one school to another in the same district. Given the right legislation, establishing public charter schools would not add any new costs to Alabama's public education system.

Second, there is no meaningful relationship between the amount of funding spent per child on public K-12 education and how well they perform on standardized tests at either the state or district level. At the state level, data from the National Assessment of Education Progress, or NAEP, which allows state-to-state comparisons of students in a variety of subjects across different grades,¹⁴ shows that seven of the nine states that spend less per child on public education than Alabama have higher NAEP scores for fourth grade math than Alabama, eight have better scores for eighth grade reading, and all nine score higher on eighth grade math. The only measure in which Alabama scores better is fourth grade reading, but this edge appears to evaporate by eighth grade.

At the district level, the relationship between what is spent per student on public education and standardized test scores is also nonexistent. In the 2012-2013 academic year, both the Anniston and Lowndes County districts received more funding per student than Mountain Brook, yet their graduation rates and standardized test scores were among the lowest in the state. Moreover, of the ten school districts that spent the most per student, the eighth grade math scores for six of them were lower than the state average, and seven of them had below-average scores for eighth grade reading. If a link existed between student funding and academic outcomes, the best-funded schools would have the best test scores, not the worst.

Challenge: Getting Started

Establishing charter schools in any state takes time. If the Alabama Legislature were to pass legislation in 2015 allowing for an unlimited number of charter schools, it is unlikely any would be open in time for the following school year. Rather, the growth rate of charter schools in other states suggests that the number of charter schools in Alabama would start small and grow steadily, but slowly. Since the 1999-2000 school year, the number of charter schools nationally has increased at a rate of about eight per year, per state.¹⁵

Facilities

One of the largest and potentially most time-consuming obstacles to starting a new charter school is finding a facility for its operations. In some circumstances, charter schools are created by converting traditional public schools that are already operational to ones that abide by a charter. If a charter has the option of reopening a former, traditional public school, its location may not be one that best serves the charter's targeted student population. There may also be significant costs associated with its renovation and updating to assure that it meets current federal, state, and local safety codes. The idea of public school systems opening additional facilities or modifying existing ones to accommodate what may be considered by some to be an experimental learning style can be perceived as unnecessarily risky, particularly in difficult economic times.

If an existing school is not available, options for administrators range from purchasing, renting, or leasing commercial buildings or space and repurposing it; to building entirely new facilities. Each of these options has its challenges and attendant expenses. Should a commercial or retail property be chosen to house a new school, considerable amounts of time and resources could be spent to remodel the facilities to create adequate classrooms, halls, offices, restrooms, kitchens, and other work spaces. Administrators may also have to ensure there is ample outdoor space for playgrounds and parking. In smaller towns and rural areas, there can be difficulty finding a suitable facility, which can delay the start of operations for months or even years. In Michigan, one charter school failed to open at all because it could not find a suitable facility.¹⁶ In some cases, charter schools must be built from scratch because no other adequate building exists.

Other startup costs

The costs of establishing a charter school extend beyond the brick and mortar of the building itself. Other necessary and potentially expensive startup costs include furniture for classrooms, offices, and lunchrooms; custodial equipment; curricula for each grade level taught; technology and audiovisual equipment; and gym and recreation equipment.

Schools must also be staffed with an adequate amount of teachers, administrators and support personnel: each of these has its attendant costs. In addition to background checks being required for all staff, teachers may require training, certification, or both to meet state requirements for education, health, and safety. Lunchroom, custodial, and grounds staff must be hired or contracted. A school nurse may need to be hired, as well as administrative aids, librarians, and other support staff.

One advantage charter schools possess regarding personnel selection is that they have the flexibility to hire teachers from a variety of backgrounds that might be outside of the regular path of teacher certification. Regardless of whether charter school teachers come from traditional or unconventional sources, they can be given considerable freedom to design curricula and programs to best suit the needs of their students and the school as a whole. Moreover, unlike in many traditional public schools, charter school teachers can be held to a high level of accountability when it comes to the academic progress of their students.¹⁷

Possible Funding Solutions

To overcome the obstacle of insufficient funding for startups, charter schools typically turn to two sources for assistance: federal funding, and grants and loans from private foundations. The following are two examples of private grants and loans for charter schools: a more extensive list is available at National Charter School Resource Center website, www.charterschoolcenter.org/grants.

www.alabamapolicy.org

Interesting Statistics

- Since the 1999-2000 school year, the number of charter schools in the United States has increased from **1,542** to an estimated **6,440**,² educating more than **2.5 million** students,³ or about **5.3%** of the national student population.
- The gap between what charter schools and traditional public schools receive in public funding has grown, from **19%** in FY 2007 to **28%** in FY 2011 (see Appendix A).
- About **67%** of all charter schools nationwide are independently managed, nonprofit organizations that oversee one school, and another **20%** are nonprofit organizations that manage more than one school. Only **12%** of charter schools are run by for-profit, public charter school operators.⁷
- Charter schools serve a higher percentage of minority students (**63%**) than traditional public schools (**47%**)⁹ and a slightly higher percentage of students who qualify for the federal Free and Reduced Price Lunch Program (**51%** versus **48%**).¹⁰
- **24** charter schools were on the 2014 *U.S. News & World Report's* list of America's 100 best high schools,¹¹ even though they represent only **6%** of all schools.¹²

Table 1: Grants Available through the U.S. Department of Education's Charter Schools Program (CSP)²²

Type	Purpose
State Educational Agency (SEA) Grants	Provides funds to plan and start new charter schools and disseminate information about existing charters in states with charter school laws. Grants are given directly to the state's department of education, which then grants the funds to charter schools within its state. In 2012, awards totaling \$56 million over five years were given to three states. ²³
Non-State Educational Agency Grants	Allows charter schools to apply directly to the Department for start-up funds. "Applicants must be from charter schools in states in which the SEA does not have an approved application from the Charter Schools Program (CSP) as of the start date for the grant." ²⁴ In 2014, 18 schools received grants ranging from \$397,000 to \$697,000 over two to five years. ²⁵
Non-State Educational Agency (Non-SEA) Dissemination Grants	Provides funds for established charter schools to disseminate their best practices information. In 2013, one charter school was awarded \$253,000 over two years. ²⁶
Grants for Replications and Expansion of High-Quality Charter Schools	Provides funds to nonprofits, including charter management organizations, to replicate and expand high-quality charter schools. In 2012, grants totaling more than \$14.4 million were given to support charter schools in 25 communities in 19 states and the District of Columbia. ²⁷
National Leadership Activities Grants	This program provides funds for eligible nonprofit organizations to run charter school projects of national significance. In 2010, \$3.5 million in grants were given to five charter schools. ²⁸
Charter School Exemplary Collaboration Awards	This program awards high-quality public charter schools that partner with non-chartered public schools and non-chartered Local Education Agencies to share best educational and operational practices, and to disseminate information about these practices. The funds must be used to continue or expand the collaborations, as well as for dissemination. In 2010, six charter schools were awarded between \$103,000 and \$203,000 over a two-year period. ²⁹
Credit Enhancement for Charter School Facilities Program	Grants are available to public and private nonprofit entities to enable them to help charter schools enhance their credit so that they can secure financial capital to buy, construct, renovate, or lease appropriate school facilities. In 2013, three organizations received between \$2.3 and \$6 million. ³⁰
State Charter School Facilities Incentive Grants	Grants are available to help states establish or enhance and administer "per-pupil facilities aid" for charter schools, which allows states to make payments for charter school facilities based on a formula that takes into account the number of pupils enrolled. In 2009, California and Indiana received \$48.5 million and \$14 million, respectively, for charter school facilities financing. ³¹

Private Grants and Loans

- The Walton Family Foundation offers a Public Charter Startup Grant Program for developers who start new charter schools to serve low-income children in “targeted districts” within one of 15 states.¹⁸ To qualify for a grant, startups must be nonprofit entities that are within 15 months of filing for a charter. Once a school qualifies, grants of up to \$250,000 are available to cover startup costs, including facility expenses.¹⁹
- The Charter School Growth Fund (CSGF) offers grants and low-interest loans to charter school management organizations (CMOs) to assist them with facility financing. In order to qualify for funding, the CMO must have operated at least one charter school for a minimum of three years in an area where students do not have access to quality education. To date, the CSGF has committed more than \$185 million to provide facilities for more than 260,000 charter school students.²⁰

Government Grants

The U.S. Department of Education administers a variety of charter school grant programs that provide funds for the following expenses (see Table 1).²¹

In addition to these, the National Charter School Resource Center lists many other federal funding opportunities that, while not charter school-specific, could provide resources for a variety of programs, including after-school programs, best practices, computers, counseling, education research, underserved communities, and serving students with special needs.³²

Challenge: Ongoing Operating Costs

Since the first charter schools opened in 1992, they have experienced a closure rate of about 15%, most of which occur in the first five years of a school’s existence. According to data from the Center for Education Reform, almost half (42%) of all charter school closures are because they are unable to meet their financial obligations.³³

There are at least two reasons why financial stresses can sink charter schools. First, charter schools that do not possess the leadership or organizational strength to attract enough families from neighboring schools will not be able to sustain themselves. Ninety percent of charter schools that fail for financial reasons are independent, grassroots startups that often lack connections to philanthropic organizations.³⁴

Second, almost all charter schools must make do with significantly fewer resources than traditional public schools, particularly when it comes to the receipt of local funding. Like traditional public schools, charter schools receive funding through a variety of sources: federal funds; state allocations; local government revenues; and other sources such as philanthropies. Nevertheless, a 2014 study published by the University of Arkansas examining charter school funding in 30 states and the District of Columbia, found that public charter schools received, on average, 28% less funding than traditional schools in FY 2011 (see Table 2).³⁵

Moreover, the gap between what charter schools and traditional public schools receive in public funding has grown, from 19% in FY 2007 to 28% in FY 2011 (see Appendix A). This gap in funding has increased even though charter enrollment increased in every state and the District of Columbia during the same period.³⁶ Put another way, “for a charter school enrolling 400 students in FY 2011, the school received \$1,525,600 (weighted) less on average than would have been the case if funding were equalized between district and charter schools.”³⁷

The same report also found that public charter schools received about the same amount of funding from private sources such as grants, gifts and foundations as did traditional public schools. Specifically, traditional public schools received an average of \$571 per student in funding from private sources, compared to \$552 per student at public charter schools.³⁸

The primary reason charter schools receive substantially less per-student funding than traditional public schools is because they tend to receive differing amounts of funding based on the source. In FY 2011, for example, charter schools, on average, received a larger amount of per-student funding from state sources, but less from federal and local sources (see Table 3).⁴⁰

Federal funds

Federal revenue for standard programs such as special education, ESL (English as a Second Language), and Title I (low-income students) flows directly from government to the school district if it is a local education agency (LEA). Almost all traditional school districts are LEAs, yet many charter schools are not because the states themselves determine whether their charter schools can have this designation. This disadvantage can leave charter schools at the mercy of receiving federal funds from their local school district. Some districts require fees from charter schools, while others may opt to withhold federal funding dollars and provide services to charter schools instead of a direct injection of revenue.⁴²

Even in the states where charter schools can be LEAs, not every school chooses to do so because the designation requires federal reporting, which can be both time-consuming and expensive. Moreover, having an LEA designation is no guarantee that a charter school will receive its fair share of federal funds: of the 21 states and the District of Columbia that allow charters to have LEA status, only nine received at least 95% of the amount of funding as received by traditional schools in the same district.⁴³

State funding

On average, per-student state funding for charter schools tends to be slightly higher than for students in traditional public schools. A portion of this increased spending is from line-item distributions that fall outside of the state’s funding formulas, such as Race to the Top funds that were distributed directly to the states. Some charter schools may also receive higher per-student revenue from the state if they cater to underserved communities, special needs groups, or both.⁴⁴

Table 2: Scope of Three Studies on Per-Student Expenditures, by Fiscal Year of Study³⁹

Line		Fiscal Year		
		2003	2007	2011
A	Number of States in Study	16 + D.C.	24 + D.C.	30 + D.C.
B	Number of All District Students	28,049,637	34,974,549	37,609,011
C	Number of All Charter Students	582,133	1,027,518	1,678,987
D	Total Students [B + C]	28,631,770	36,002,067	39,287,998
E	Weighted District Per-Pupil Spending	\$10,092	\$11,708	\$12,373
F	Charter Per-Pupil Spending	\$7,821	\$9,460	\$8,864
G	Weighted Per-Student Difference, Favoring Districts [F – E]	(\$2,271)	(\$2,248)	(\$3,509)
H	Weighted Difference (Inflation-Adjusted) [G / E]	-22.50%	-19.20%	-28.40%

Table 3: Total Traditional and Charter Per-Pupil Funding, by Source: FY 2011⁴¹

Per Pupil	FY 2011 Funding Sources			
	Traditional		Charter	
Federal	\$1,485	11.80%	\$979	10.20%
State	5,333	42.2	5,817	60.4
Local	5,230	41.4	1,781	18.5
Other	585	4.6	1,058	10.9
Total	\$12,633		\$9,635	

Local funding

“States that do not permit charter schools to receive local funds commit to ‘equalization’ from state sources, but in actual practice, very few states make charter funding equal to district per pupil funding.”⁴⁵ If the legislation controlling the operation of charter schools does not ensure that they are adequately funded, they begin with an enormous disadvantage, particularly if the schools receive little or no assistance for operating and maintaining their facilities.⁴⁶

Proposed Funding Solutions

- Charter schools will only be funded as well as the legislation that created them requires. Because Alabama has no history of charter schools, the state has the opportunity to craft the best legislation in the nation to ensure the proper funding of any charter schools established in the state. The most effective way to ensure equity in the state funding of charter schools is to tie the funding to the student, “permitting charters to receive state and local funding at the same per-pupil rate as received by district schools.”⁴⁷
- To increase funding for charter schools in Alabama, businesses and individuals could invest in either traditional public schools or charter schools in order to qualify for tax incentives. Entities could give money directly to the state or to the public school of their choice. In return, they would receive a receipt for a tax discount, which they would file with their state taxes. Limits for charitable giving would need to be established.

Funds received by the charter school would go to offset any differences in funding at the district level. Should a school receive enough tax incentive funding to give its students equivalence with those in traditional public schools in the same district, the excess funds would be directed to either the State Board of Education or a nonprofit oversight commission, where they would be divided among other charter schools that had not yet achieved equitable funding. The amount given to each charter would take into consideration the district-level, per-student cost of education. In the event all charter schools received sufficient philanthropic funding to give them parity with their traditional public school counterparts, any excess funds could go into a rolling reserve for charter schools for the next academic year.

- At present, few states do a good job of fairly splitting non-earmarked federal funds evenly between charter schools and traditional public schools. Any legislation creating charter schools should require the even distribution of federal funds between both types of schools, using current, district-based receipts of federal funds as the guideline. This language should also be included in the original bill so that it would take effect immediately upon enactment.
- If one or more charter schools were established to help students prepare for trades (e.g., plumbers, electricians, welders) as careers, businesses with vested interests in having an adequate skilled labor supply could donate funds in exchange for tax incentives. In this way, charter schools and businesses would be real-world partners in developing Alabama’s future trade labor force.

- Alabama could follow the example of Texas, where the state gives slightly more money to charter schools than to traditional public schools. Because local school districts tend to spend less per student on charter school funding, this option would offset some of this difference. The formula they use is weighted to prefer at-risk children in bad economic areas over those in affluent areas.⁴⁸
- Finally, charter schools could be funded with vanity license plate revenues advocating school choice, with the proceeds for plate sales going to the charter schools in the district in which the plate was purchased. If no charter schools were in the purchaser’s district, funds would be divided evenly among existing charter schools across the state.

Challenge: Misconceptions of Student Selection

Contrary to the myth that charter schools “cherry pick” the best students from their districts—leaving traditional public schools with disproportionate numbers of underperforming students—public charter schools are generally required to accept all students who want to attend.⁴⁹ According to the National Alliance for Public Charter Schools, “Unlike magnet schools overseen by school districts, public charter schools cannot selectively admit students. According to federal law, they must accept all students, including students with disabilities and English Learners (ELs), regardless of previous academic performance.”⁵⁰ Moreover, “charter schools must follow an open enrollment process and its admission practices must comply with applicable state and federal laws in order to qualify for federal start-up grants.”⁵¹

According to a 2013 report by the Center for Research on Education Outcomes, there is little evidence that students who attend charter schools are superior to their counterparts in traditional public schools. As Table 4 shows, students who attend charter schools tend to be poorer and less likely to have English as their primary language. They are also less likely to be white or Asian, and more likely to be black or Hispanic.

Table 4: Demographic Comparison of Students in All U.S. Public Schools, U.S. Charter Schools, and Charter Schools in 27 States: 2010-2011⁵²

	All US Public Schools	All US Charters	27 State Charters
Students in Poverty	48%	53%	54%
English Language Learners	6	NA	9
Special Education Students	13	NA	8
White Students	52	36	35
Black Students	16	29	29
Hispanic Students	23	27	28
Asian / Pacific Islander Students	5	3	3
Other Students	4	4	4

“Contrary to the myth that charter schools ‘cherry pick’ the best students from their districts—leaving traditional public schools with disproportionate numbers of underperforming students—public charter schools are generally required to accept all students who want to attend.”

Regarding academics, an earlier analysis (2009) by the same organization of 2,043 charter schools found that math scores of students at charter schools tended to be either near or below those of their peers in traditional public schools, debunking the idea that charters accept disproportionately large numbers of gifted students.⁵³

Oftentimes there are more students wishing to attend a charter school than there are seats. When this is the case, the legislation in most states with charter schools requires them to hold lotteries to randomly determine which students will be enrolled. In 2014, the U.S. Department of Education revised its policies allowing—where permitted by state law—charter schools to “weight” their lotteries to include higher proportions of “educationally

disadvantaged” students. According to the Center for Research on Education Outcomes, “These revisions will likely result in charter schools serving an even greater share of disadvantaged children.”⁵⁴

Federal law also requires charter schools to accept students with special needs. According to data from the National Center for Education Statistics’ most recent Schools and Staffing Survey, 9.9% of charter school students have disabilities, compared to 11.7% of students in traditional public schools.⁵⁵ The percentage of students in charter schools with special needs may appear lower because of some of the practices the schools employ. For example, the Center for Reinventing Public Education found that

Many public charter schools offer earlier intervention or specialized programs without giving students the Individualized Education Plan (IEP) designation. Moreover, for students with an IEP—the legal document outlining special education services the student is to receive—charter schools keep more students with disabilities in the least restrictive environment for most of the school day. For instance, 73% of charters—versus 50% of traditional public schools—keep students with disabilities in the general education classroom at least 80% of the day. Furthermore, many charters have safeguards in place to ensure that students are not misidentified for services and have the special education label removed when learning disabilities are addressed.⁵⁶

Finally, there is evidence that students with special needs are having better educational outcomes than those in traditional public schools. According to the Center for Research on Education Outcomes, special needs students attending charter schools had learning gains in both reading and math equal to 14 days greater than their counterparts in traditional public schools.⁵⁷

Challenge: Operations

Student Transportation

One of the logistical challenges to the creation of charter schools is student transportation. The problem is especially acute in states with large percentages of their populations located in rural areas, as buses often must drive farther to pick up small numbers of students. According to the National Alliance for Public Charter Schools, students who attend charter schools tend to be in cities and suburbs. Issues with providing transportation to charter school students may partly explain why they are less common in more rural states (see Table 5).⁵⁸

With 41% of its population and almost 29% of its K-12 public school population (213,200) living in rural areas in 2010, Alabama is the ninth most rural state in the nation.⁵⁹ In order for charter schools to effectively serve the rural areas of Alabama, any legislation establishing charter schools should account for necessary fixed costs such as transportation.

Alabama already spends more to transport students in rural districts than it does in city districts, not only because most students live in these areas, but also because the per-student cost of transportation is higher. In the 2012-2013 school year, \$382 million was spent on transportation services in Alabama, or about \$517 per student. Most of this amount (\$285 million; 75%) was spent in county districts, where 65% of all Alabama students reside (see Table 6).⁶⁰ County districts, which averaged 55% urbanization, spent \$591 per student on transportation. By comparison, city districts, which are assumed to be completely urbanized, spent \$377 per student. In the 13 county districts that were 100% rural, the weighted average was even higher: \$773 per student for transportation.⁶¹

Proposed Solutions

Because the cost of transporting students in Alabama's more rural school districts is already higher than in city districts, any legislation providing for charter schools should provide a charter school with an allowance equal to the level of funding per student for transportation as already exists for traditional, public school students in the district in which the charter school is located.

To further minimize costs, charter schools, particularly those in rural areas, could be located as near as possible to traditional public schools to allow charter school students to ride the same buses.

Organizations planning to build a charter school in a rural area could also reduce expected transportation costs by locating the school at a node that provides the best access to the most students with the least distance to the school.

Table 5: Students Attending Charter and Non-Charter Schools, by Geographic Locale: 2010-2011

Location	School Type			
	Charter		Non-Charter	
	Students	Percent	Students	Percent
City	1,007,670	55.80%	13,429,515	28.30%
Suburbs	427,837	23.7	16,452,239	34.7
Town	93,899	5.2	5,757,151	12.1
Rural	274,668	15.2	11,802,197	24.9

Table 6: Alabama Public School Attendance By District Type: 2010-2011

District Type	Number			Percent	
	Students	Transportation	Per-Student	Students	Transportation
	(ADM)	Funding	Spending	(ADM)	Funding
City	257,340	\$97,068,663	\$377	34.8%	25.4%
County (includes Rural)	481,955	284,961,544	591	65.2	74.6
100% Rural	26,413	20,423,409	773	3.6	5.3
Total	739,295	\$382,030,207	\$517		

Conclusion

With the proper legislation, charter schools have the potential to improve the academic outcomes of students across Alabama who would otherwise be trapped in failing public schools. Using the experiences of other states that have legalized charter schools, Alabama's policy leaders can craft a superior set of laws governing its own charter schools and expand true choice in education. It is up to today's state leaders to wisely prepare for the academic futures of upcoming generations.

Because charter schools are publicly funded and tuition-free, the dollars that would be spent on them remain in the district and only travel with students who choose to attend them instead of a traditional public school. The flexibility charter schools afford their teachers gives them the freedom to create curricula and programs to best suit their students, while at the same time holding them to high levels of accountability.

As in other states, establishing charter schools in Alabama would come with its attendant challenges, including building acquisition, student transportation, and the hiring of teachers and other staff. However, one of the characteristics of charter schools that makes them exceptional in this regard is that market forces—not labor contracts or administrative mediocrity—determine whether charter schools succeed. Unlike many traditional schools, charter schools that do not live up to the expectations established in their charters can be closed.

Successful charter schools are hotbeds of learning for students of all backgrounds, including minorities, the poor, and those with special needs. A growing number of studies suggest that charter schools perform as well as, and often better than, their traditional public school counterparts. In many cases, the success of charter schools has created such demand that admission has to be decided by a lottery.

Given that Alabama is one of only eight states in the country that lacks a charter schools law, it is clear that the opposition to charters has been very effective in this state. Yet, much of the anti-charter messaging is centered on a handful of arguments that are not new and have been used in nearly every state's public debate over charters. Any attempt to expand school choice, no matter the vehicle, has been or will be met with scare tactics on issues of funding, control, and cherry-picking. It is time for Alabama to move beyond these talking points, as so many other states have, and lay these concerns to rest.

Appendix A: Ranking Each State's Charter School Laws and Regulations

The National Alliance for Public Charter Schools (NAPCS) ranks each state's charter school law and regulations according to the "20 Essential Components of a Strong Public Charter School Law."⁶² The highest possible score a state can receive is 228. The components and their importance (ranked from 1 [low] to 4 [high] in parentheses) are as follows:

1. No Caps (Importance: 3; Possible points: 12): The best charter school laws place no limits on (a) the number of public charter schools the state may have, (b) the number of students they may enroll, and (c) the geographic locations of charter schools. If caps do exist, better charter school laws allow adequate room for growth.
2. Variety (Importance: 2; Possible points: 8): A variety of public charter schools are allowed, including new start-ups, public school conversions, and virtual schools.
3. Multiple Authorizers (Importance: 3; Possible points: 12): The state allows two or more authorizing options (e.g., school districts and a state charter schools commission) for each applicant with direct application to each authorizer.
4. Authorizer and Overall Program Accountability System Required (Importance: 3; Possible points: 12): This component would include (a) at least a registration process for local school boards to affirm their interest in chartering to the state; (b) an application process for other eligible authorizing entities; (c) authorizer submission of annual report, which summarizes the agency's authorizing activities as well as the performance of its school portfolio; (d) a regular review process by authorizer oversight body; (e) authorizer oversight body with authority to sanction authorizers, including removal of authorizer right to approve schools; and (f) periodic formal evaluation of overall state charter school program and outcomes.
5. Adequate Authorizer Funding (Importance: 2; Possible points: 8): This would include (a) adequate funding from authorizing fees (or other sources); (b) guaranteed funding from authorizing fees (or from sources not subject to annual legislative appropriations); (c) a requirement to publicly report detailed authorizer expenditures; (d) a separate contract for any services purchased from an authorizer by a school; and (e) a prohibition on authorizers requiring schools to purchase services from them.
6. Transparent Charter Application, Review, and Decision-Making Processes (Importance: 4; Possible points: 16): This would include (a) application elements for all schools; (b) additional application elements specific to conversion schools; (c) additional application elements specific to virtual schools;

(d) additional application elements specific to use of educational service providers; (e) additional application elements specific to replications; (f) authorizer-issued request for proposals (including application requirements and approval criteria); (g) thorough evaluation of each application including an in-person interview and a public meeting; and (h) all charter approval or denial decisions made in a public meeting, with authorizers stating reasons for denials in writing.

7. Performance-Based Charter Contracts Required (Importance: 4; Possible points: 16): Charter contracts would (a) be created as a separate document from the application and be executed by the governing board of the charter school and the authorizer; (b) define the roles, powers, and responsibilities for the school and its authorizer; (c) define academic and operational performance expectations by which the school will be judged, based on a performance framework that includes measures and metrics for, at a minimum, student academic proficiency and growth, achievement gaps, attendance, recurrent enrollment, postsecondary readiness (high schools), financial performance, and board stewardship (including compliance); (d) provide an initial term of five operating years (or a longer term with periodic high-stakes reviews); and (e) include requirements addressing the unique environments of virtual schools, if applicable.
8. Comprehensive Public Charter School Monitoring and Data Collection Processes (Importance: 4; Possible points: 16): Would include (a) the collection and analysis of student outcome data at least annually by authorizers (consistent with performance framework outlined in the contract); (b) financial accountability for charter schools (e.g., generally accepted accounting principles, independent annual audit reported to authorizer); (c) authorizer authority to conduct or require oversight activities; (d) annual school performance reports produced and made public by each authorizer; (e) authorizer notification to their schools of perceived problems, with opportunities to remedy such problems; and (f) authorizer authority to take appropriate corrective actions or exercise sanctions short of revocation.
9. Clear Processes for Renewal, Nonrenewal, and Revocation Decisions (Importance: 4; Possible points: 8): Would require the following: (a) authorizers must issue school performance renewal reports to schools whose charter will expire the following year; (b) schools seeking renewal must apply for it; (c) authorizers must issue renewal application guidance that provides an opportunity for schools to augment their performance record and discuss improvements and future plans; (d) authorizers must use clear criteria for renewal and nonrenewal/revocation; (e) authorizers must ground renewal decisions based on evidence regarding the school's performance over the term of the charter contract (in accordance with the performance framework set forth in the charter contract); (f) authorizer must have the authority to vary length of charter renewal contract terms based on performance or other issues; (g) authorizers must provide charter schools with timely notification of potential revocation or nonrenewal (including reasons) and reasonable time to respond; (h) authorizers must provide charter schools with due process for nonrenewal and revocation decisions (e.g., public hearing, submission of evidence); (i) all charter renewal, nonrenewal, and revocation decisions must be made in a public meeting, with authorizers stating reasons for nonrenewals and revocations in writing; and (j) authorizers must have

school closure protocols to ensure timely parent notification, orderly student and record transitions, and property and asset disposition.

10. Educational Service Providers (ESPs) Allowed (Importance: 2; Possible points: 8): Includes the following: (a) all types of ESPs (both for-profit and nonprofit) are explicitly allowed to operate all or parts of schools; (b) the charter application requires (1) performance data for all current and past schools operated by the ESP, including documentation of academic achievement and (if applicable) school management success; and (2) explanation and evidence of the ESP's capacity for successful growth while maintaining quality in existing schools; (c) a performance contract is required between the independent public charter school board and the ESP, setting forth material terms including but not limited to: performance evaluation measures, methods of contract oversight and enforcement by the charter school board, compensation structure and all fees to be paid to the ESP, and conditions for contract renewal and termination; (d) the material terms of the ESP performance contract must be approved by the authorizer prior to charter approval; (e) school governing boards operate as entities completely independent of any ESP (e.g., must retain independent oversight authority of their charter schools, and cannot give away their authority via contract); and (f) existing and potential conflicts of interest between the two entities are required to be disclosed and explained in the charter application.
11. Fiscally and Legally Autonomous Schools, with Independent Public Charter School Boards (Importance: 3; Possible points: 12): Includes: (a) Fiscally autonomous schools (e.g., schools have clear statutory authority to receive and disburse funds; incur debt; and pledge, assign, or encumber assets as collateral); (b) legally autonomous schools (e.g., schools have clear statutory authority to enter into contracts and leases, sue and be sued in their own names, and acquire real property); and (c) school governing boards should be created specifically to govern their charter schools.
12. Clear Student Recruitment, Enrollment, and Lottery Procedures (Importance: 2; Possible points: 8): Includes clear procedures for the following: (a) open enrollment to any student in the state; (b) lottery requirements; (c) required enrollment preferences for previously enrolled students within conversions, prior-year students within chartered schools, and siblings of students enrolled at a charter school; and (d) optional enrollment preference for children of a school's founders, governing board members, and full-time employees, not exceeding 10% of the school's total student population.
13. Automatic Exemptions from Many State and District Laws and Regulations (Importance: 3; Possible points: 12): Exemptions from: (a) all laws, except those covering health, safety, civil rights, student accountability, employee criminal history checks, open meetings, freedom of information, and generally accepted accounting principles; and (b) state teacher certification requirements.
14. Automatic Collective Bargaining Exemption (Importance: 3; Possible points: 12): Charter schools authorized by either local or nonlocal board authorizers would be exempt from participation in any outside or district collective bargaining agreements.

15. Multi-School Charter Contracts and/or Multi-Charter Contract Boards Allowed (Importance: 2; Possible points: 8): An independent charter school board may: (a) oversee multiple schools linked under a single contract with independent fiscal and academic accountability for each school; and (b) hold multiple charter contracts with independent fiscal and academic accountability for each school.
16. Extracurricular and Interscholastic Activities Eligibility and Access (Importance: 1; Possible points: 4): Whereby: (a) Laws or regulations explicitly state that charter school students and employees are eligible to participate in all interscholastic leagues, competitions, awards, scholarships, and recognition programs available to noncharter public school students and employees; and (b) laws or regulations explicitly allow charter school students in schools not providing extracurricular and interscholastic activities to have access to those activities at noncharter public schools for a fee by a mutual agreement.
17. Clear Identification of Special Education Responsibilities (Importance: 2; Possible points: 8): Require clarity regarding: (a) which entity is the local education agency (LEA) responsible for providing special education services; and (b) funding for low-incident, high-cost services for charter schools (in the same amount and/or in a manner similar to other LEAs).
18. Equitable Operational Funding and Equal Access to All State and Federal Categorical Funding (Importance: 4; Possible points: 16): Would include: (a) equitable operational funding statutorily driven; (b) equal access to all applicable categorical federal and state funding and clear guidance on the pass-through of such funds; and (c) funding for transportation similar to school districts.
19. Equitable Access to Capital Funding and Facilities (Importance: 4; Possible points: 16): Would include: (a) a per-pupil facilities allowance that annually reflects actual average district capital costs; (b) a state grant program for charter school facilities; (c) a state loan program for charter school facilities; (d) equal access to tax-exempt bonding authorities or allowing charter schools to have their own bonding authority; (e) a mechanism to provide credit enhancement for public charter school facilities; (f) equal access to existing state facilities programs available to noncharter public schools; (g) right of first refusal to purchase or lease at or below fair market value a closed, unused, or underused public school facility or property; and (h) prohibition of facility-related requirements stricter than those applied to traditional public schools.
20. Access to Relevant Employee Retirement Systems (Importance: 2; Possible points: 4): Charter schools have access to relevant state retirement systems available to other public schools. Charter schools also have the option to participate (i.e., participation would not be required).

Appendix B: Total Per-Student Funding, by School Type: FY 2003-2011

State	District		Difference		Charter		Difference	
	FY 2003	FY 2011	\$	%	FY 2003	FY 2011	\$	%
Arizona	\$9,068	\$8,784	(\$824)	-8.60%	\$7,651	\$7,160	(\$491)	-6.40%
Arkansas		10,464				7,220		
California	7,976	10,278	2,470	31	5,464	7,658	2,202	40.3
Colorado	11,605	10,135	-1,471	-12.7	9,450	8,083	-1,367	-14.5
Connecticut	13,053	15,382	2,329	17.8	12,750	12,789	40	0.3
Delaware	13,190	12,876	-314	-2.4	9,233	9,501	267	2.9
Florida	8,849	9,342	493	5.6	7,838	7,404	-434	-5.5
Georgia	8,369	10,802	2,433	29.1	5,791	7,794	2,003	34.6
Hawaii		13,028				9,717		
Idaho	8,081	7,253	-828	-10.2	6,205	5,643	-562	-9.1
Illinois	9,945	11,850	1,905	19.2	7,660	10,495	2,835	37
Indiana	9,095	10,171	1,075	11.8	10,011	7,977	-2,033	-20.3
Louisiana	8,683	11,242	2,559	29.5	7,856	10,243	2,387	30.4
Maryland		14,963				10,814		
Massachusetts	14,562	15,658	1,096	7.5	11,666	13,009	1,343	11.5
Michigan	10,395	10,804	409	3.9	9,075	8,726	-349	-3.8
Minnesota	11,363	11,478	115	1	11,641	10,515	-1,127	-9.7
Missouri	14,283	16,659	2,376	16.6	10,173	12,319	2,146	21.1
New Jersey	14,708	17,156	2,448	16.6	11,310	13,839	2,529	22.4
New Mexico	10,193	10,127	-65	-0.6	9,706	9,509	-196	-2
New York	15,019	19,460	4,441	29.6	11,919	14,646	2,727	22.9
North Carolina	8,435	9,199	764	9.1	7,968	7,615	-353	-4.4
Ohio	9,258	10,118	860	9.3	6,361	7,894	1,533	24.1
Oregon		9,941				5,637		
Pennsylvania	10,630	13,841	3,211	30.2	8,641	11,495	2,854	33
South Carolina	9,880	10,171	291	2.9	5,977	8,355	2,379	39.8
Tennessee		8,485				9,784		
Texas	9,555	10,064	509	5.3	8,249	9,835	1,586	19.2
Utah		7,356				5,844		
Washington, DC	18,212	30,196	11,984	65.8	14,198	18,479	4,280	30.1
Wisconsin	11,620	13,759	2,139	18.4	8,193	9,081	888	10.8
Average	\$10,251	11,622	\$1,371	13.40%	\$7,825	\$8,864	\$1,039	13.30%

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